

Student Loan Financing Deal Extended

Department of Education

News Releases

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Nova Scotia's student assistance program will continue in partnership with the Royal Bank of Canada for the next eight months, Education Minister Jane Purves announced today.

The Royal Bank has agreed to extend a current contract to finance student loans in Nova Scotia until March 31, 2001, with slightly different provisions.

"Nova Scotia students will see no change in the process for getting a loan this year," said Ms. Purves. "They will continue to apply at the Department of Education and receive the loan at the Royal Bank."

Under the new deal, which is effective Aug. 1, 2000, the province will no longer pay the bank a risk premium. Instead, the government will take responsibility for collecting loans issued over the next eight months that end in default.

This approach is consistent with arrangements being made by other provinces as private lenders retreat from participation in government student loan programs. Nova Scotia's financing costs are estimated to be similar to the amount paid in risk premium.

The Government of Canada decided in March of 2000 to finance Canada Student Loans directly. The federal government has signed a transition contract with banks until Feb. 28, 2001, while the government student loan administration is being set up.

Provinces had previously expected to join the Government of Canada in a harmonized loan financing system.

Both federal and provincial governments will have systems in place to ensure defaulted student loans are collected. Options include private collection services and remedies through the tax system.

Nova Scotia's eight-month extension with the Royal Bank will be the last with that bank, which will withdraw next year from funding government-sponsored student loan programs.

Nova Scotia is currently in discussions to reach a long-term financing agreement with CIBC.

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Nova Scotia students will see no change in the process for receiving a student loan this year.

The Royal Bank and the province agreed to extend a current contract to finance student loans until next March, with slightly different terms.

Education Minister Jane Purves says students will continue to apply through the province and receive their loan at the Royal Bank.

Other provinces have been making similar deals as private lenders move out of the student loan business.

The federal government is making plans to lend loan money directly to students.

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